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**SURFACE TRANSPORTATION BOARD**  
**Washington, DC 20423**

*Office of Economics, Environmental Analysis and Administration*

March 21, 2007

Kevin V. Schieffer  
President and CEO  
Cedar American Rail Holdings, Inc.  
140 North Phillips Avenue  
Sioux Falls, SD 57104

Re: Finance Docket No. 34177, Iowa Chicago & Eastern R.R.—  
Acquisition And Operation Exemption—Lines of I&M Rail Link

Finance Docket No. 33407, Dakota, Minnesota & Eastern  
Railroad Corporation Construction into the Powder River Basin

Dear Mr. Schieffer:

I appreciate the opportunity to speak with you on March 6, 2007 regarding (1) the Environmental Impact Statement (EIS) the Board's Section of Environmental Analysis (SEA) is preparing on the environmental effects of the proposal by the Dakota, Minnesota & Eastern Railroad (DM&E) to route coal trains from the Powder River Basin (PRB) on the former I&M Rail Link system that DM&E has purchased (Finance Docket No. 34177 or the acquisition case) and (2) compliance with the conditions imposed by the Board in the separate proceeding authorizing the DM&E to construct and operate a new 280-mile line into the PRB (Finance Docket No. 33407 or the construction case).

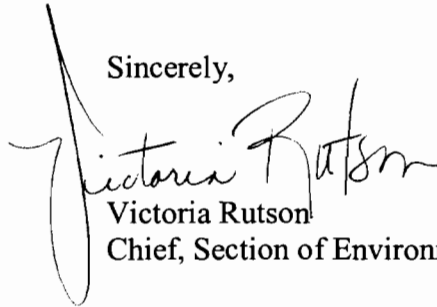
You explained that, in light of current circumstances, DM&E would like to place on hold for the moment further work on the EIS in the acquisition case because you need to develop up-to-date rail traffic projections of DM&E coal trains from the PRB that would be routed over the former I&M Rail Link system. (Of course, the DM&E may initiate track improvements and maintenance work on the former I&M Rail Link system and operate trains carrying any commodity other than PRB coal on those lines whenever it chooses.)

In the meantime, in the construction case you would like to continue to move forward with the work necessary to ensure compliance with the Programmatic Agreement document signed by the Board, the cooperating agencies, the three state historic preservation officers, the Advisory Council on Historic Preservation, and certain Tribes. The Programmatic Agreement sets out the methods to be followed by the Board and others for avoiding or minimizing impacts of the construction case on historic sites and structures.

In sum, it is my understanding that, at this time, you would like to concentrate your resources on ensuring compliance with the Programmatic Agreement. You will advise me when you have gathered the necessary traffic data to permit SEA to move forward with the environmental review in the acquisition case. Until that time, you have indicated that you would like the Board to place on hold preparation of an EIS in that proceeding on the environmental effects of DM&E's proposal to route coal trains from the PRB on the former I&M Rail Link lines.

I trust this accurately reflects the substance of our recent telephone call. If you have any questions or comments, please feel free to contact me at (202) 245-0295.

Sincerely,

A handwritten signature in black ink, appearing to read "Victoria Rutson". The signature is fluid and cursive, with a large initial "V" and "R".

Victoria Rutson  
Chief, Section of Environmental Analysis